

**STATE OF SOUTH DAKOTA
BEFORE THE
SOUTH DAKOTA PUBLIC UTILITIES COMMISSION**

Docket No. EL19-

In the Matter of Otter Tail Power
Company's Petition for Approval
of the Annual Rate Update to Rate
Schedule, Section 13.05,
Transmission Cost Recovery Rider

**PETITION FOR ANNUAL UPDATE TO
TRANSMISSION COST RECOVERY RIDER RATE**

I. INTRODUCTION

In compliance with the South Dakota Public Utilities Commission's (Commission) Orders,¹ Otter Tail Power Company (Otter Tail or Company) hereby Petitions for approval of its annual update to its Transmission Cost Recovery Rider (TCRR) rate.

In this filing, Otter Tail's TCRR rate is adjusted to reflect the applicable TCRR revenue requirements for the next recovery period (March 2020 – February 2021.) This update includes the projected tracker balance for the end of the current recovery period to help prevent over-or under-recovery of TCRR costs. This update also includes a Class Allocation true up as agreed upon and described in the Staff Memorandum dated February 12, 2019, Docket No. EL18-048, which helps mitigate any cross class subsidies. This is explained in detail in Section IV. Rate Design.

The calculation of the proposed revenue requirements within this Petition are determined in accordance with the Settlement Stipulation approved by the Commission in Docket No. EL12-054, in which projects that qualify for regional cost allocation through the MISO tariff are

¹ Previous TCRR Docket Nos. EL10-015, EL12-054, EL13-029, EL14-090, EL15-045, EL16-035, EL17-048 and EL18-048.

accounted for using the “refined split” method. The rate of return (ROR) included in this update is based on Otter Tail’s actual capital structure as of December 31, 2018, using the ROE and capital structure methodology approved by the Commission in Docket No. EL12-054.

The proposed revenue to be collected for the March 1, 2020 through February 28, 2021 recovery period, as shown in Attachment 2, is \$2,407,824 compared to the total revenue requirement of \$2,046,100² for the March 1, 2019 through February 29, 2020 timeframe, an increase of \$361,724 in the revenue requirement.

This Petition updates the rates to collect the 12 months of revenue requirements over the 12-month recovery period of March 2020 through February 2021. The TCRR is updated to include actual investment costs, expenses and revenues through September 2019, updated forecast information for the remainder of the current recovery period which ends February 2020 and forecasted information for the proposed recovery period ending February 28, 2021.

Per the EL13-029 TCRR Order, if the annual updates for MISO 26 and 26A Schedules anticipated to be released in January 2020 are materially different from current forecasts included in this Petition, Otter Tail will make a supplemental filing by February 1, 2020 to update the TCRR rates for the upcoming recovery period. If a supplemental filing is made, Otter Tail will update the tracker with actuals through December 2019.

The impact of the change from current rates to those proposed in this annual update for a residential customer using 1,000 kWh per month is a decrease of \$0.01 per month. For a Large General Service (LGS) customer using 486 kW and 222,350 kWh, the bill impact of this update is a decrease of \$247.80 per month.

II. GENERAL FILING INFORMATION

A. Name, address, and telephone number of the utility making the filing

Otter Tail Power Company
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Phone (218) 739-8200

² Approved in Commissions September 17, 2019 Order in Docket No.EL18-048

B. Name, address, and telephone number of the attorney for Otter Tail Power Company

Cary R. Stephenson
Associate General Counsel
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C. Title of utility employee responsible for filing

Lynn A. Wolters
Rates Analyst, Regulatory Administration
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D. The date of filing and the date changes will take effect

The date of this filing is October 31, 2019. Otter Tail proposes the update to the rates to go into effect for bills rendered on and after March 1, 2020 as applied to usage on and after March 1, 2020.

E. Statutes controlling schedule for processing the filing

ARSD Part 20:10:13:15 requires a 30-day notice to the Commission of a proposed change in a utility's tariff schedule, after which time the proposed changes take effect unless suspended. Because no determination of Otter Tail's general revenue requirement is necessary, Otter Tail requests an expedited and informal proceeding, including any variances that may be necessary.

Otter Tail will post a notice of proposed changes in each business office in Otter Tail's affected electric service territory in South Dakota for at least 30 days before the change becomes effective in compliance with ARSD 20:10:13:18. Attachment 19 to this Petition is the proposed customer notice required by ARSD 20:10:13:19, which will be sent to customers with the first bill rendered when the rate is effective. Otter Tail includes Attachment 20 to comply with

ARSD 20:10:13:26, which requires the Utility to report all rate schedule changes and customer impacts. Otter Tail will provide notice of this proceeding to its customers pursuant to SDCL Chapter 49-34A-12 in November 2019 billing statements.

III. TRANSMISSION COST RECOVERY

A. Background

In this Petition Otter Tail provides an update of its tariff electric rate schedule, Section 13.05, in compliance with Paragraph 10 of the Settlement Stipulation approved by the Commission's EL10-015 TCRR Order, referenced above. This Petition also incorporates the change in filing date approved by the Commission's EL13-029 TCRR Order, referenced above, which requires the following:

***Annual Reporting:** The Parties agree OTP will submit an annual TCR filing on a going forward basis to be received by the PUC by November 1 of each year. Based on this annual report, OTP will adjust the TCR rate each year based on actual costs and collections.*

The Commission's EL10-015 TCRR Order was made pursuant to SDCL 49-34A-25.1 and 49-34A-25.2. Annual updates to the approved tariff rate schedule are governed by SDCL 49-34A-25.3 and 49-34A-25.4, which read as follows:

49-34A-25.3. Filing for annual rate adjustments—Contents. A public utility may file annual rate adjustments to be applied to customer bills paid under the tariff approved pursuant to §49-34A-25.2. In the utility's filing, the public utility shall provide:

- (1) A description of and context for the facilities included for recovery;*
- (2) A schedule for implementation of applicable projects;*
- (3) The public utility's costs for these projects;*
- (4) A description of the public utility's efforts to ensure the lowest reasonable costs to ratepayers for the project; and*

(5) *Calculations to establish that the rate adjustment is consistent with the terms of the tariff established in §49-34A-25.2.*

49-34A-25.4. Standards for approval of annual rate adjustments. Upon receiving a filing under §49-34A-25.3 for a rate adjustment pursuant to the tariff established in §49-34A-25.2, the commission shall approve the annual rate adjustments if, after notice, hearing, and comment, the costs included for recovery through the tariff were or are expected to be prudently incurred and achieve transmission system improvements at the lowest reasonable cost to ratepayers.

Consistent with these statutory requirements, the Commission Approved Settlement Stipulation required as follows:

In the future, OTP's investment in new transmission projects will require Commission approval in a future TCR annual update filing through which Commission Staff shall be provided an opportunity to review such projects for statutory compliance. Such projects may be regional, like those described in this Settlement or they may be local (projects that do not qualify for regional cost allocation through MISO's FERC authorized rates). (EL10-015 TCR Order Settlement Stipulation, page 4, paragraph 3).

In compliance with the above referenced statutes and Settlement Stipulations, this Petition provides information on Otter Tail's calculations updating its TCRR rate so Commission Staff may review the calculations and projects for statutory compliance.

B. TCRR annual update revenue requirements calculations

Attachments 1 - 4 are, respectively, the Revenue, Revenue Requirements Summary, Rate Design, and Tracker Summary calculations used for Otter Tail's proposed TCRR rate update.

Attachments 5 and 6 provide the revenue requirement calculations for two projects that were previously approved in Otter Tail's prior TCRR update filings³. Attachment 7 provides the revenue requirement for the Transmission Adjustment approved as part of Otter Tail's last Rate

³ The Commission's February 20, 2019 Order in Docket No. 18-048 approved recovery of Otter Tail's Lake Norden Area Transmission and Big Stone South to Ellendale projects.

Case, Docket No. EL18-021⁴, and previously approved by the Commission's September 19, 2019 Order in Docket No. EL18-048.

These calculations within the above referenced attachments are made in compliance with prior TCRR Settlement Stipulations approved by the Commission and are consistent with how Otter Tail calculates its current TCRR rate. Specifically, the calculations of the revenue requirement in this year's Petition include the following:

- *Rate base section.* This section provides details on the amount of plant in service, accumulated depreciation, construction work in progress (if applicable), accumulated deferred taxes including the effect of proration on Federal amounts, and a 13-month average rate base calculation.
- *Construction Work in Progress (CWIP).* SDCL 49-34A-25.2 allows a current return on CWIP.
- *Expense section.* The expenses applicable to a project are listed here and include operating costs, property taxes, depreciation, and income taxes.
- *Revenue requirements section.* This section shows the components of the revenue requirements, including expenses and return on investment and any credits to the revenue requirement for monies received for use of the transmission lines by wholesale customers.
- *Return on investment (cost of capital).* Pursuant to Section III, 3. Rate of Return, in the Commission-approved Settlement Stipulation in Docket No. EL 12-054 Otter Tail's revenue requirement for the retail load obligations of the transmission investment are to be based on the rate of return methodology agreed to in the EL 12-054 Settlement Stipulation. This method uses Otter Tail's actual capital structure as of December 31 of the prior year for the following year's calculation and the return on equity ordered by the Commission in Otter Tail's most recent rate case, Docket No. EL18-021.

⁴ Commission's July 11, 2019 ORDER GRANTING JOINT MOTION FOR APPROVAL OF SETTLEMENT STIPULATION; ORDER APPROVING SETTLEMENT STIPULATION in Docket No. EL18-048.

- *Depreciation expense.* Depreciation expense is calculated using the Company’s current depreciation rates.
- *Property taxes.* The property tax calculation is based on Otter Tail’s composite tax rate for the jurisdiction in which the transmission facilities are located and is calculated in accordance with the procedures specified by that state.
- *Operation and Maintenance (O&M) expense.* Annual O&M expense of the transmission lines includes costs related to line patrol and inspections, vegetation management, small repair items, storm restoration, and supervision of this work. Scheduled transmission line patrols are typically done annually on all high voltage transmission lines operated at 100 kV and above. Unscheduled patrols are completed for line sections with unexplained interruptions. Vegetation management of new lines is typically limited during the first five years, since Otter Tail’s construction standard for new transmission lines is to remove as many trees in the right-of-way as possible. After five years, vegetation management is completed based on information gathered during line patrols.
- *Proration of Federal Accumulated Deferred Income Taxes (ADIT).* Otter Tail provides Attachment 16 to this filing to show the ADIT proration calculation impact on the revenue requirement for the recovery period. Otter Tail preserved the effect of the proration for the true-up period in order to maintain compliance with Section 1.167(l)-l(h)(6)(ii) of the IRS regulations and to avoid a tax normalization violation. Otter Tail includes Attachment 17 in this filing, which shows the preservation of the proration of ADIT results in a decrease of \$896 plus any applicable carrying charge to the revenue requirement. This item is included on Line 9 of Attachment 4 to this filing.
- *Midcontinent Independent System Operator (MISO) Schedule 26 and 26A expenses.* Schedule 26 and Schedule 26A costs for the upcoming recovery period appear on lines 12 and 13 of the Tracker Account (Attachment 4) and are shown separately in Attachment 9. As stated in the EL12-054 Settlement Stipulation, Section III, 4.b., “*the TCR will flow through the jurisdictional share of Schedule 26 and Schedule 26A expenses incurred by OTP as an active member of MISO, adjusted for the amount of such expenses associated with OTP’s investment in projects that are not included in the rider.*”

- *Southwest Power Pool (SPP) Related Expenses (Attachment 10) and MISO Related Revenues (Attachment 11).* SPP Schedules 7, 8 and 9 refer to different types of transmission service that Otter Tail may secure for serving Otter Tail load in SPP, which represent firm point-to-point, non-firm point-to-point, and network integration transmission service, respectively. Expenses that Otter Tail has incurred and estimates to incur through SPP Schedule 7, 8, and 9 as a result of securing transmission service in SPP appear on Line 14 of the Tracker Account (Attachment 4) and are also shown separately in Attachment 10.

SPP Schedule 11 expenses are for projects approved through SPP's Integrated Transmission Planning process. The expenses included in this TCRR update are Otter Tail's forecasted share of the costs for these new transmission projects approved by SPP, whose costs are shared on a regional and zonal basis. SPP Schedule 11 expense appears on Line 15 of the Tracker Account (Attachment 4) and is also shown separately in Attachment 10.

Otter Tail receives MISO Schedule 9 revenues related to Central Power Electric Cooperative (CPEC) paying MISO charges for transmission service they secure through MISO. These revenues are offset by facility credits CPEC began collecting in MISO for CPEC-owned transmission facilities that were eligible for inclusion in MISO in May 2017. The revenues associated with MISO Schedule 9 results in a reduction to the TCRR revenue requirement. MISO Schedule 9 revenue from CPEC appears on Line 19 of the Tracker Account (Attachment 4) and is shown in detail in Attachment 11.

- *MISO Schedule 26 and 26A revenues.* Schedule 26 and 26A revenues, for the recovery period, appear on lines 20 and 23, respectively, of the Tracker Account Summary (Attachment 4) and are shown separately on Attachment 12 (Schedule 26) and Attachment 13 (Schedule 26A). As stated in the EL12-054 Settlement Stipulation, Section III, 2.c, "*Retail customers will be credited a pro-rata share of FERC-authorized MISO Schedule 26 revenues associated with the Company's MISO-determined responsibility for OTP's investment in the regional transmission projects, offsetting corresponding Schedule 26 expenses. The Company will retain the portion of its Schedule 26 revenues associated with other MISO members' responsibility for OTP's*

investment in the projects in order to cover the remaining revenue requirements for such projects.”

- *MISO Return on Equity (ROE) Complaint.* On November 12, 2013 and February 12, 2015, two groups of industrial customers and other stakeholders filed complaints at FERC seeking to reduce the ROE component of the transmission rates that MISO Transmission Owners, including Otter Tail, may collect under the MISO Tariff. The two groups of complainants sought to reduce the, then current, ROE of 12.38 percent to 9.15 percent and 8.67 percent, respectively.

FERC issued its decision on the first complaint on September 28, 2016, granting approval of a 10.32 percent base ROE plus any applicable adder effective prospectively from that date. Otter Tail and other MISO Transmission Owners were granted a 50-basis point adder for participation in a Regional Transmission Organization (RTO) to be applied to the base ROE.

The second complaint for the time period of February 12, 2015 through May 11, 2016 is still pending before FERC. The Administrative Law Judge issued an Initial Decision on June 30, 2016 recommending a 9.7 percent base ROE plus any applicable adders. The timing of the FERC decision on the second complaint is unknown. Otter Tail does not include any adjustments in this filing related to the second complaint due to the uncertainty of timing and ultimate decision outcome.

- *MISO Tariff Schedule 37 and Schedule 38 Revenue Credits.* The TCRR rate update calculation includes revenue credits to reflect revenues received from MISO pursuant to Schedules 37 and 38 of the MISO Tariff. The Schedule 37 revenues represent Otter Tail’s share of the Schedule 26 cost allocation assigned to former MISO transmission owners that have withdrawn from MISO. These owners have an ongoing obligation to pay for MISO Schedule 26 transmission projects due to their prior MISO membership.

In Attachment 14, there are no forecast amounts for Schedule 37 and 38 revenues. MISO does not provide a separate forecast for those revenues but includes any Schedule 37 and 38 revenues within the Schedule 26 revenue forecasts that MISO develops. MISO does

delineate Schedule 37 and 38 revenues when reporting actuals. The Schedule 37 revenue credit reflected in this TCRR update is \$854 as shown in Attachment 4, line 21. The Schedule 38 revenue credit reflected in this TCRR update is \$1,006, shown in Attachment 4, line 22. These are actual amounts through September 2019 and are included as part of the 2019 true-up amount.

- *MISO Multi-Value Project Auction Revenue Rights (MVP ARR) Revenue.* The MVP ARR revenues are derived from increased transmission capacity attributable to MVP projects placed in service within the MISO footprint. The value of the MVP ARR is determined during MISO's annual Financial Transmission Rights auction process. The revenues are distributed monthly to all MISO Transmission Owners similar to how Schedule 26A expenses are allocated to MISO Transmission Owners for all MVP projects. The revenue is identified in Attachment 15 and is reflected as a credit in the rider shown in Attachment 4, line 24.

Otter Tail used the past twelve months of actual revenues to project future distributions from MISO. The estimates are subject to change based on seasonal values for transmission capacity, projects in service, and available additional transmission capacity. As with all other revenues and expenses, Otter Tail includes actuals as available in TCRR filings.

C. Revenue credit for administrative and general expenses recovered through MISO tariff for non-retail portion of projects qualifying for regional cost allocation.

These TCRR rate update calculations include a revenue credit (reduction to TCRR revenue requirements) to account for reimbursements through MISO's tariff for administrative and general operating and maintenance expenses. The revenue credit is for the entire amount of such revenues received through the MISO tariff, whether related to the retail or non-retail portion of projects that qualify for regional cost allocations. This application provides reimbursement to retail customers for any such costs through the TCRR that may already be recovered through Otter Tail's current retail rates. The revenue credit is reflected in Attachments 12, 13, and 14 on the lines titled "Overhead Credit for Non-Retail Share" for each project. For the 2020 calendar year, the percentage is 1.020 percent of the total investment in the projects. This percentage was established as part of the FERC-approved MISO tariff.

D. Change in SPP related expenses – Attachment 10

Otter Tail spent approximately \$1.3 million in upgrades to replace its antiquated equipment at the Blair 230 kV Substation during 2018 and 2019. This upgrade will result in an increase in 30.9 facility credits that Otter Tail receives from SPP, which will reduce SPP Schedule 9 expenses. Since this Blair substation upgrade does not meet the eligibility requirements of SD Statute 49-34A-25.1 for recovery in the TCRR, Otter Tail has removed the 30.9 facility credits contributed by the Blair upgrade from the SPP Schedule 9 expenses in order to calculate the SPP Schedule 9 expenses in the TCRR for the upcoming rate year.

Otter Tail and Central Power Electric Cooperative (CPEC) executed a purchase agreement during July of 2019 whereby Otter Tail will purchase CPEC equipment at three separate substations and one 4-mile section of 69 kV line.⁵ Following regulatory approvals expected in Q1 2020, Otter Tail expects to close on the purchase and take ownership of the aforementioned equipment from CPEC. Equipment being acquired from CPEC at the Rugby Substation is expected to qualify for additional 30.9 facility credits from SPP.⁶ However, this equipment does not meet the eligibility requirements of SD Statute 49-34A-25.1 for recovery through the TCRR. Therefore, Otter Tail has removed the 30.9 facility credits contributed by the Rugby equipment from the SPP Schedule 9 expenses in the TCRR for the upcoming rate year.

The 30.9 facility credits for the Blair 230 kV Substation upgrade is projected to be \$85,000 per year (OTP Total), \$8,500 (OTP SD) and the 30.9 facility credit for the Rugby 115 kV equipment is projected to be \$139,000 (OTP Total), \$13,900 (OTP SD) per year. The facility credits for the Blair 230 kV Substation upgrade and the acquisition of the Rugby 115 kV assets are removed from the SPP Schedule 9 expenses in Attachment 10.

As seen in Attachment 10 of this filing, 2020 SPP Schedule 7, 8 and 9 expenses are forecasted to be approximately \$2.25 million (OTP Total) \$0.21 million (OTP SD), and SPP Schedule 11 expenses are forecasted to be approximately \$0.23 million (OTP Total), \$0.021 million (OTP SD) in 2020. MISO Schedule 9 revenues as seen on Attachment 11 of this filing

⁵ The purchase agreement encompasses: (1) CPEC equipment within the Otter Tail Bottineau 115-43.8 kV Substation; (2) CPEC equipment within the Otter Tail Wahpeton 230-115-43.8 kV Substation; (3) CPEC equipment within the Otter Tail Rugby 230-115-43.8 kV Substation; and (4) CPEC's Rolette line segment – OTP Rolette four-mile 69 kV line.

⁶ CPEC's equipment at the Rugby Substation currently qualifies as eligible transmission facilities under SPP's Tariff and is currently included as part of CPEC's annual transmission revenue requirement in SPP. Since the acquisition will not change the configuration of the equipment, Otter Tail expects it will be able to obtain SPP facility credits for this equipment within the Rugby 230/115/41.6 kV Substation.

are forecasted to be approximately \$1.4 million (OTP Total), \$0.13 million (OTP SD) in 2020. Should the amounts associated with the SPP expenses or MISO revenues materially change during the time this Docket is open, Otter Tail will provide updated information and revised rate calculations in a supplemental filing by February 1, 2020.

E. Projects previously approved for recovery in Otter Tail's TCRR

The following two projects were previously approved for inclusion in Otter Tail's TCRR in Docket No. EL18-048.

1. Lake Norden Area Transmission Improvements Project
2. Big Stone South - Ellendale Project

IV. RATE DESIGN

The TCRR allocation factors and rate design follow the terms of the Approved EL10-015 Settlement Stipulation Order, paragraph 6. Specifically, the TCRR uses a rate design based on the transmission demand allocation factor, D2 from Otter Tail's Rate Case EL-18-021 to allocate total revenue requirements to jurisdictions (South Dakota, 9.187 percent) and rate classes. The LGS class's portion of retail revenue requirements based on this D2 factor is 42.54 percent. The remaining portion (55.25 percent) of the retail revenue requirements will be collected from the non-LGS rate classes.

Otter Tail's current LGS rate design, as identified in the EL10-015 Settlement Stipulation Order, incorporated the 2011 forecast demand (\$/kW-month) and energy (¢/kWh) revenue components to recover the transmission project costs in a manner that follows existing LGS base rate design. For this update, Otter Tail has similarly based the LGS rate design on the proposed recovery period forecast demand and energy revenue components, specifically, 35 percent demand and 65 percent energy.

For the remaining retail rate classes (non-LGS), Otter Tail proposes to continue an energy only rate, consistent with the current Commission-approved rate structure. A rate for each class is a separate energy based (kWh) charge calculated by dividing the total class revenue requirements by the corresponding kilowatt-hour sales for the projected period.

Staff's February 12, 2019 Memorandum, Docket No. EL18-048, outlines the incorporation of class allocations to the prior period true-up amounts. Otter Tail includes revenue

requirements, billings and the resulting over-or -under recovery by rate class, as opposed to the current tracking at the total revenue requirement and total billing level, in this annual update. Otter Tail utilized the seven-month period of actuals, March through September 2019 for the true up period. Otter Tail provides Attachment 3A to this filing detailing the calculation of the appropriate true-up by class. Otter Tail reviewed actual sales for this time period [Column C] and based upon the percent of sales in each class to the total sales for this time period [Column D] developed a true-up class allocation percent [Column E]. The true-up class allocation percent [Column D] was used to spread the carrying charge and prior period true-up balance of \$85,456 to the classes [Column F]. The March 2020 through February 2021 revenue requirements [Column G] are added to the class true-up balances [Column F] to arrive at the total revenue requirements [Column H] that are included in Attachment 3 in the rate design.

V. RATE APPLICATION AND IMPACT

As indicated earlier, the annual revenue requirement to be collected for the next recovery period of March 2020 through February 2021 increased from \$2,046,100 ⁷ to \$2,407,824 for the proposed recovery period. The increase in the proposed recovery period is primarily due to an increase in the true-up and carrying cost amounting to a difference of \$253,018 of the \$361,724 change in revenue requirement.

Table 2 below compares the summaries from Attachment 2 and helps illustrate the factors which contributed to the difference between the current revenue requirement and the proposed revenue requirement. As noted above, the proposed effective date of the change in rates is March 1, 2020.

⁷ From the September 5, 2019 Supplemental Filing utilizing actuals through July 2019 and forecast from the initial filing.

Table 2
Attachment 2 Summaries

Line No.	A Revenue Requirements	B	C	D
		*September 5, 2019 Supplemental Filing March 2019 - February 2020	Proposed March 2020 - February 2021	Difference C-B
1	BSSE - Ellendale	1,223	7,268	6,045
2	Lake Norden Area Transmission	131,846	198,281	66,435
3	Transmission Adjustment - EL18-021	467,943	341,323	(126,620)
4				
5	SD Filing Fee	3,312	4,000	688
6				
7	MISO Schedule 26 Expense	1,124,556	1,161,686	37,130
8	MISO Schedule 26A Expense	738,133	771,775	33,642
9		-		
10	SPP Schedule 9 Expense	212,818	207,755	(5,063)
11	SPP Schedule 11 Expense	18,376	20,917	2,541
12		-		
13	MISO Schedule 9 Revenue	(219,772)	(128,347)	91,425
14	MISO Schedule 26 Revenue	(228,898)	(221,263)	7,635
15	MISO Schedule 26A Revenue	(21,873)	(37,628)	(15,755)
16	MISO Schedule 37 Revenue	(489)	(0)	489
17	MISO Schedule 38 Revenue	(577)	(0)	577
18	MISO MVP ARR Revenue	(3,519)	(3,399)	120
19				
20	Carrying Cost	(7,699)	1,718	9,417
21	True-Up	(169,281)	83,738	253,018
22				
23	Total	2,046,100	2,407,824	361,724
* Included actuals through July 2019 and forecast from the Initial Filing				

Column A in Table 2 above reflects the components that make up the Revenue Requirements for the proposed recovery period. Column B reflects the Revenue Requirement for each component from the last approved TCRR Update. Column C reflects the proposed Revenue Requirement for each component for the current TCRR Update. Column D is the difference between Column B and Column C. All components have previously been approved for inclusion in the TCRR.

Table 3

			A	B	C
			Rates Eff. Oct '19 - Feb '20	Rates Eff. Mar '20 - Feb '21	Difference
1	Large General Service Class	\$ / kW	1.033	0.738	-0.295
2	Large General Service Class	Cents / kWh	0.279	0.232	-0.047
3					
4	Controlled Service	Cents / kWh	0.092	0.108	0.016
5	Lighting	Cents / kWh	0.401	0.372	-0.029
6	All Other Service	Cents / kWh	0.706	0.705	-0.001

Column C in Table 3 above reflects the change in rates from those approved in the September 5, 2019 Supplementary filing EL18-046 (Column A). The Class Allocation True-Up is based upon actual sales for the March 2019 through September 2019 time period as seen in Attachment 3A. The true up identified the LGS Class was higher than originally forecasted and Controlled Services, Lighting sales and All Other sales was slightly lower than originally forecasted. Controlled Service rates increased from the supplemental filing which were developed using an October thru February timeframe which is comprised of a seasonal increase in units. In this filing, the seasonality difference is eliminated, and the revenue requirement is spread over a typical twelve-month period, therefore per unit pricing shows an increase.

The impact of the change in rates for a residential customer using 1,000 kWh per month is a decrease of \$0.01 per month. For a Large General Service (LGS) customer using 486 kW and 222,350 kWh, the bill impact of this update is a decrease of \$247.80 per month.

The total March 2020 through February 2021 revenue requirements, as shown on line 1 in Attachment 3, is \$2,407,824. The proposed rates are calculated on lines 2-16, column H of Attachment 3A. The Transmission Rider is applicable to electric service under all of Otter Tail's retail rate schedules. The charge is included, for administrative purposes, as part of the Energy and Renewable Adjustment line on customers' bills. The proposed rates beginning March 1, 2020 are as follows:

TCRR Rate Class	Rate	
Large General Service	0.738	\$ / kW
	0.232	cents / kWh
Controlled Service	0.108	cents / kWh
Lighting	0.372	cents / kWh
All Other Service	0.705	cents / kWh

The Proposed Customer Notice and Rate Impact is contained in Attachment 19.

The proposed rates assume they will be in effect beginning March 1, 2020 through February 28, 2021.

VI. TRANSMISSION COST RECOVERY RIDER TARIFF SHEET

Otter Tail's redline and clean Transmission Cost Recovery Rider tariff sheet (Section 13.05) is Attachment 18 to this Petition. The rates listed in the RATE section of the tariff sheet are updated to reflect the changes described in this annual update.

VII. FILING FEE

Under SDCL 49-1A-8, the Commission may require a deposit of up to fifty thousand dollars for the filing of a tariff for approval under the provisions of 49-34A-4 and 49-34A-25.1 to 49-34A-25.4, inclusive, or makes a filing pursuant to 49-34A-97 to 49-34A-100. Otter Tail will pay such deposit amount as the Commission determines appropriate upon the Commission's Order assessing such fee.

VIII. CONCLUSION

For the foregoing reasons, Otter Tail respectfully requests approval to implement these updates to Otter Tail's Transmission Cost Recovery Rider, Section 13.05, effective as of March 1, 2020.

Date: October 31, 2019

Respectfully submitted:

OTTER TAIL POWER COMPANY

/s/ LYNN A. WOLTERS

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